

M e m o r a n d u m**295.1500**

To: Sacramento – Auditing (JAN)

April 19, 1968

From: Tax Counsel (GAT)

This is in regard to your memo concerning the application of sales tax with respect to an amount designated as a “service charge” which “X” charges its credit card customers.

It is our understanding that whenever a customer purchases merchandise from “X”’s grocery stores and charges the purchase price to his Master Charge Card or other bank credit card, “X” will make an additional charge on the customer’s invoice to compensate itself for the amount which the bank charges “X” for its credit card services.

If the total sales price of the merchandise sold to the credit card customer is less than \$8.43, “X” makes a service charge of \$.25. If the total sales price is \$8.43 or over, “X” makes a service charge of three percent of the invoiced amount. The bank’s charge to “X” is approximately 4 percent of the invoiced amount.

Under Section 6012 of the Revenue and Taxation Code the total amount of the sales price of tangible personal property includes all receipts from the sale without deduction for labor or service cost, interest paid or any other expense.

The credit card “service charge” is merely a specific charge which “X” imposes on its customers in order to partially reimburse itself for the service cost arising out of the bank’s charge for its services. Accordingly, it is our opinion that the portion of “X”’s service charges to credit card customers which is attributable to the taxable selling price of tangible personal property constitutes taxable gross receipts.

GAT: [lb]